

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON 25, D.C.

OFFICE OF THE DIRECTOR

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62-2249

OSD review(s)
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FEMA REVIEW COMPLETED

April 10, 1962

No Referral to NSC

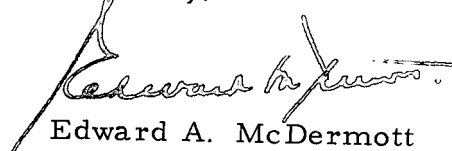
Dear Mr. McCone:

The President has now completed his review of our Stockpiling Committee Report submitted to him on March 20, and I enclose a copy of his memorandum to me dated April 10 reflecting his action on the Report.

I shall now proceed with the several matters discussed in the enclosed NSAM 142 and will be in touch with you and your staff further in this connection.

Best personal regards.

Sincerely,


Edward A. McDermott

Honorable John A. McCone
Director
Central Intelligence Agency
Langley, Virginia

(EXECUTIVE OFFICE OF THE PRESIDENT)
OFFICE OF EMERGENCY PLANNING

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COPY

THE WHITE HOUSE
Washington

April 10, 1962

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NATIONAL SECURITY ACTION MEMORANDUM NO. 142

TO: Honorable Edward McDermott
Director, Office of Emergency Planning

Honorable David E. Bell
Director, Bureau of the Budget

1. I have received and read a report of your Stockpile Committee organized under NSAM 126. I think it is a careful and thoughtful study, and I commend you and the Committee on it. I accept its recommendations with one modification.

2. In view of the dissents of the State and Interior Departments and the comments of the Department of Commerce, I am directing that the amendment to Section 14 of Defense Mobilization Order V-7 which you recommended incorporate additional language as follows:

"The Director of the OEP shall give notice to the above-mentioned departments of any proposed disposal and invite their views. If within thirty days either the Department of State or the Department of the Interior indicates an objection to the proposed plan which, after discussion, the Director does not support, he shall so notify the President and present the issue to him for decision. To the extent possible disposals should be made in accordance with long-run disposal plans which have been worked out in consultation with the interested departments and which take into account probable trends in supply and price both at home and abroad."

3. The OEP is requested to prepare draft legislation required to embody the recommendations of the Committee, in consultation

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with the interested executive departments; to examine the problems of the barter program in consultation with the Department of Agriculture and other interested agencies; to continue its studies of stockpile objectives and requirements in accordance with the recommendations of the report; and to prepare in consultation with the General Services Administration and other interested agencies long-range disposal programs for excess materials in the stockpile.

4. I request the Bureau of the Budget to amend Defense Mobilization Order V-7 in accordance with the recommendations of the report and this memorandum.

SIGNED

JOHN F. KENNEDY

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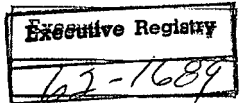
With respect to Section 14 of Defense Mobilization Order V-7, I believe that the restrictions on authorizations for disposal of excess material (p-7) should apply with equal strength to expressions of intent to sell; such expressions of intent could have almost as serious effects as actual sales.

15/ John A. McCarver

(RECEIVED)

10/Jan. Plummer

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON 25, D.C.



OFFICE OF THE DIRECTOR

March 19, 1962

Honorable John A. McCone
Director
Central Intelligence Agency
Langley, Virginia

Dear Mr. McCone:

Enclosed is a copy of the final draft of the Executive Stockpile Committee Report to the President, revised to reflect changes unanimously adopted by the Committee at its meeting Friday, March 16.

The original of the Report will be delivered to the President later today after it has been signed by, or on behalf, of the members.

I wish to express my appreciation to you and to the members of your staff who participated in this study. The cooperation received from all concerned made it possible for us to complete this phase of the policy study in the time prescribed by the President. Additional matters requiring our consideration will be considered at an early date.

My best personal regards.

Sincerely,

A handwritten signature in dark ink, appearing to read "Edward A. McDermott".

Edward A. McDermott
Acting Director

cc: Honorable Robert Amory, Jr.
Deputy Director

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CCPY NO. 11

R E P O R T

OF THE

EXECUTIVE STOCKPILE COMMITTEE

TO THE

PRESIDENT

CHAIRMAN:

Edward A. McDermott
Acting Director
Office of Emergency Planning

March 19, 1962

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REPORT OF THE EXECUTIVE STOCKPILE COMMITTEE
TO THE PRESIDENT

The Executive Stockpile Committee, consisting of the Secretaries of State, Defense, Interior, Commerce, and Labor, the Director of the Central Intelligence Agency, the Administrator of the General Services Administration, and chaired by the Acting Director of the Office of Emergency Planning, was established by your memorandum of February 7, 1962, to review the principles and policies which guide our national stockpile of strategic materials and its relationship to our national defense and security. The Committee has examined specifically the policies governing the program, the acquisition and maintenance of the inventories in the stockpile, the disposal of excess materials, and the classification of information bearing on this program. No examination could be made of the specific goals or objectives because of limited time and lack of new requirements information. This examination will be expedited in the coming months.

On March 2, 1962, this Committee recommended to you that information pertaining to the current objectives and inventories of the Strategic and Critical Materials Stockpile should be declassified.

The other recommendations of the Committee are presented herewith for your approval. A substantial number of these recommendations can be put into effect by administrative actions. New legislation will be necessary to implement the others.

The United States Government, as of December 31, 1961, held raw materials inventories with a market value of \$7,723 million. Within this total, the inventory valuations are: National Stockpile, \$5,729 million; Defense Production Act, \$921 million; Commodity Credit Corporation Barter and Supplemental Stockpiles, \$1,070 million; and Federal Facilities Corporation, \$3 million. Current maximum objectives in the National Stockpile are valued at \$4,332 million, and excess materials at \$3,391 million. Net storage, rotation and disposal, and administrative expenses approximate \$21 - \$22 million annually.

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PRINCIPLES AND POLICIES

General policies for strategic and critical materials stockpiling set forth in Defense Mobilization Order V-7, dated December 10, 1959, govern all executive operations of the stockpile.

Scope of Stockpile Objectives

In its examination of the scope of stockpile objectives, the Committee has considered the following points:

1. Current policy provides that the strategic stockpile objectives shall be adequate to cover material deficits for limited or general nuclear war (including reconstruction), whichever is greater. The planning assumptions now used by the Office of Emergency Planning and other Government departments and agencies engaged in defense mobilization activities are consonant with this policy. However, no definitive scope has been established for general nuclear war, nor has the extent of the reconstruction period been clearly defined.
2. No material is now included in the stockpile objectives for allocation to our allies other than normal wartime exports.
3. At present there is no reserve in strategic and critical materials stockpile objectives to guard against long term materials deficits in the United States projected a decade or more. The time and amounts of deficits would be almost impossible to determine. Discovery of new sources of supply, availability of substitute materials, and many other things could eliminate the need for inventories in the stockpile. It is believed that the initiative and ingenuity of a healthy and dynamic free economy will help make the necessary adjustments in supply and demand in the long run.
4. Defense Mobilization Order V-7 provides that stockpile objectives shall consist of (1) a "basic objective" which assumes reliance on sources of supply factored to reflect estimated supply risks, and (2) a "maximum objective" which includes an additional allowance to take into account the complete discounting of sources of supply beyond North America and comparably accessible areas. Since 1958 new cash procurement for

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the stockpile has been limited to minimum objectives. Maximum objectives were to be attained by barter and other methods. With the exception of five materials, inventories on hand now exceed or closely approximate, the maximum objectives of all items in the stockpile. Current procurement is limited to three of these materials because of uncertainty of the future requirements for the other two. Establishment of a single objective would simplify the determination of objectives and would eliminate considerable paper work in the management functions of the stockpile.

The Committee recommends the following:

1. The requirements of limited war shall continue to be the objectives of the stockpile, and a study shall be made of the proper scope of stockpile objectives for general nuclear war and the extent of stockpile necessary for the reconstruction period.
2. A study be made of the propriety of inclusion of a reserve for allied war production in the strategic and critical materials stockpile.
3. The strategic and critical materials stockpile shall not provide insurance for projected long-range deficits of raw materials in the United States.
4. A study should be made of the future necessity of establishing two stockpile objectives. New criteria should be established by this study.
5. Pending the calculation of new objectives under criteria established in 4. above, the present maximum objectives should be used for establishing excesses available for disposal.

Supply

Supply information for the establishment of stockpile objectives is currently received from the Departments of Commerce, Interior, State, and Agriculture, the General Services Administration, and the Tariff Commission. The Office of Emergency Planning receives data from the Joint Chiefs of Staff and the Department of State which enables it to discount supply sources as to military accessibility and internal Government dependability in wartime. In addition, the National Resources Evaluation Center provides data which permits an evaluation of the survival probability in nuclear war of production and consumption plants in the United States.

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The Committee believes that the supply information received by the Office of Emergency Planning is adequate, and its system of discounting is sound.

Requirements

The current stockpile objectives are limited to meeting the estimated shortages of materials for a three-year emergency. This planning period cannot be determined with mathematical accuracy. At best, it is an expert judgment based on considerations of a multitude of contingencies.

Some of the points that should be considered are:

1. Military judgments regarding the length of a possible war.
2. Non-military judgments in relationship to non-military requirements which may be generated during the same war period or other emergency planning periods.
3. The possibility of multiple consecutive small-scale wars.
4. The possibility that in a mobilization situation short of war, sources of raw materials may be denied to us.

Additional time will be required to consider all of these points and this matter will receive the further attention of the Committee.

The planning period for nuclear war is indeterminate because of lack of supply-requirements estimates and criteria defining the extent of coverage. The studies suggested under Scope of Objectives should provide a sound basis for these studies.

Present regulations require that the supply-requirements balance for any material that is now or may become important to defense shall be kept under surveillance and shall be given a full-scale review at any time that a change is believed to be taking place which would have a significant bearing on the United States wartime readiness position. All stockpile objectives are examined at least once a year to ascertain the need for a full-scale review.

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However, these examinations have shown no significant changes in the past three or four years, due principally to relative stability of military requirements in this period.

The Committee recommends that:

1. The three-year planning period be retained until the completion of a thorough study of the various factors which would determine the length of the period.
2. The departments and agencies having responsibilities for supply-requirements studies begin immediately such studies for both limited and nuclear war (including reconstruction). Further, annual reviews of the supply-demand situation should be made.

ACQUISITION, MAINTENANCE AND DISPOSAL OF STOCKPILE MATERIALS

Effective management of the stockpile by the Office of Emergency Planning and the General Services Administration requires considerable flexibility in acquisition and disposal of materials. Sufficient flexibility has been available in the acquisition of materials, but this phase of stockpiling is largely completed. Disposal activity, however, is controlled by legislation and executive policies.

One of the executive controls applicable to disposals is the provision written into Defense Mobilization Order V-7 in 1959 which states in part that "except when (surplus) materials are channeled to other agencies for their direct use, (the Director of the Office of Emergency Planning) must obtain the approval of the Departments of the Interior, Commerce, State, Agriculture, and Defense, and other Governmental agencies concerned...."

Legislation has been drafted by the Office of Emergency Planning and General Services Administration, but not yet cleared by the Executive Branch, which would modify considerably the Strategic and Critical Materials Stock Piling Act of 1946. The proposed legislation would provide for changes in stockpile management by permitting the General Services Administration to consolidate materials inventories acquired under the provisions of the Strategic and Critical Materials Stock Piling Act, the Defense Production Act, and transferred to the

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Supplemental Stockpile from barter or other programs into two inventories: (a) the national stockpile, composed of materials required to meet objectives, and (b) the materials reserve inventory, composed of all other materials.

The proposed legislation would authorize transfer, without cost or reimbursement, of: (a) materials not required for objectives from the national stockpile to the materials reserve inventory, (b) materials required for objectives from the materials reserve inventory to the national stockpile, and (c) exchange of materials to improve the quality or change the location of materials in the national stockpile.

The legislation would allow equivalent materials in the two inventories to be commingled, and also would permit materials in the materials reserve inventory to be used for payment for conversion costs and rotation costs (to prevent deterioration or to change the location) for similar materials.

The consolidation of inventories would permit more economical and effective use of storage space, since like materials could be commingled, and it would avoid the necessity for physical segregation and identification in storage. It would provide for more economical dispersal of materials charged against the strategic and critical materials stockpile by permitting an exchange for materials in other inventories more safely located. It would further considerably simplify property accounting and reporting.

The proposal would provide greater flexibility for disposal of excess stockpile materials by (a) reducing the waiting period from six months to sixty days, (b) eliminating the requirement for the express approval of the Congress, and (c) making the waiting period applicable only if the quantity to be sold during the first or last six months of the calendar year exceeds three percent of the estimated annual United States consumption of the material.

The proposal would continue the present provisions that, in disposing of materials, due regard be given to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

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A provision would be added to provide that due regard be given to the foreign relations of the United States in the disposal of materials, to the effect of disposals on employment or unemployment in the United States, and to provide for consultation with departments and agencies specified by the Director, Office of Emergency Planning.

The proposal would subject disposals of materials acquired under the Defense Production Act to the waiting period, when applicable.

Disposals

Stockpile materials significantly in excess of objectives should be disposed of on a long-term affirmative basis. Individual disposals should be considered in terms of the effect on commodity markets and international relations.

To accomplish the above effectively, Section 14 of Defense Mobilization Order V-7 should be modified as follows (new language underlined, deletions in parenthesis):

"Disposals. The Director of the Office of Emergency Planning will authorize the disposal of excess materials whenever possible under the following conditions: (a) avoidance of serious disruption of the usual markets of producers, processors and consumers, (b) avoidance of adverse effects on the international interests of the United States, (c) due regard to the protection of the United States against avoidable loss, (d) avoidance of adverse effects upon domestic employment and labor disputes, and (e) except when materials are channeled to other agencies for their direct use, (~~approval~~) consultation with ^{1/} the Departments of the Interior, Commerce, State, Agriculture, Defense, Labor, and other governmental agencies concerned, and consultation as appropriate with the industries concerned.

"In making such disposals preference shall be given to materials in the DPA inventories.

^{1/} Departments of State and Interior strongly dissent.

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"Disposals of materials that deteriorate, that are likely to become obsolete, that do not meet quality standards, or that do not have stockpile objectives, are to be expedited.

"The Administrator of General Services shall be responsible for conducting negotiations for the sale of materials and will consult with and advise the agencies concerned."

Barter

There was considerable discussion by the Committee of the implications of adopting a disposal program prior to a determination of the future course of the barter program of the Department of Agriculture. The Committee feels that a thorough examination of the relationship of these programs should be undertaken immediately.

Upgrading of Inventories

The policy of upgrading raw materials in the stockpile to higher use forms is an integral part of the overall stockpiling policy. It represents a stockpiling of time, labor, power and transportation, in addition to materials. Upgrading is not undertaken when the processing cost exceeds the amount for which the upgraded product can be obtained in the open market (DMO V-7).

An upgrading program has been under way for some time, and a majority of the materials for which upgrading could be undertaken have been upgraded or are under contract. In many instances upgrading has resulted in an increased value of the stockpile.

Proposals have been made to upgrade some of the inventories to finished products such as aluminum sheets and building materials, steel sheets, I-beams and rails. These finished products would be stockpiled for survival and continuity of industry in event of nuclear attack on this country. However, considerable study is necessary before recommendations can be made on this type of stockpiling.

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Rotation and Storage of Stockpile Materials

Full responsibility for the rotation and storage of stockpile materials is lodged in the General Services Administration.

Materials of a perishable nature are rotated under a rigidly enforced program, and losses in this program have been kept to a minimum. However, the decline in capacity of certain United States industries, such as the rope industry, which in the past have absorbed the quantities rotated out of the stockpile may necessitate changes in our rotation policies if we are to avoid heavy losses.

A revision of Storage Policies for Stockpile Materials was issued in April 1961. Included in those policies was a complete nuclear attack hazard evaluation of each storage site. As a result of this study, provision was made in the proposed FY 1963 budget for the General Services Administration for \$465,000 to relocate miscellaneous materials. No further dispersal would appear to be necessary at this time.

The Committee recommends that:

1. Legislation be processed for clearance by the Executive departments and sent to the Congress to amend the Strategic and Critical Materials Stock Piling Act of 1946.
2. A group of interested agencies, including the Department of Agriculture, give immediate attention to the relationships of the Strategic and Critical Materials Stockpile and the Department of Agriculture barter program for strategic materials.
3. The Office of Emergency Planning and the General Services Administration, in consultation with other interested agencies, prepare a long-range disposal program for excess materials in the stockpile consistent with the previously stated criteria.
4. Congressional approval be sought and public announcement be made of disposal actions on a commodity basis in order to minimize disruptive effects on commodity markets.

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Respectfully submitted,

/s/ George W. Ball
Department of State

/s/ Roswell Gilpatric
Department of Defense

/s/ James K. Carr
Department of the Interior

/s/ Luther H. Hodges
Department of Commerce

/s/ Arthur J. Goldberg
Department of Labor

With respect to Section 14 of Defense Mobilization Order V-7, I believe that the restrictions on authorizations for disposal of excess material (p-7) should apply with equal strength to expressions of intent to sell; such expressions of intent could have almost as serious effects as actual sales.

----- /s/ John A. McCone
Central Intelligence Agency

/s/ Bernard L. Boutin
General Services Administration

/s/ Edward A. McDermott
Office of Emergency Planning, Chairman

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- 3 -

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON 25, D.C.

OFFICE OF THE DIRECTOR

March 22, 1962

Honorable John A. McCone
Director
Central Intelligence Agency
Langley, Virginia

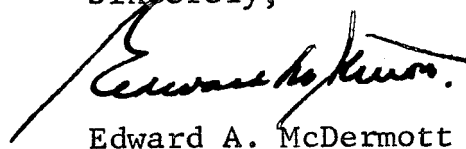
Dear Mr. Director:

To complete your copy of the Report of the Executive Stockpile Committee to the President, I enclose three pages to be substituted for pages 3, 9, and the signature page, respectively, plus a cover sheet.

You will note that slight changes were made on pages 3 and 9 of the original copy submitted to the President, to improve the language, without affecting the substance of the statement. The signature page shows the parties signatory to the Report given to the President, as well as an insert made by you at the time you signed the original.

My best personal regards.

Sincerely,



Edward A. McDermott
Acting Director

cc: Mr. Robert Amory
Mr.

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- 9 -

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4. Seek Congressional approval and make public announcement of disposal actions on a commodity basis in order to minimize disruptive effects on commodity markets.

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Respectfully submitted,

Department of State

Department of Defense

Department of the Interior

Department of Commerce

Department of Labor

Central Intelligence Agency

General Services Administration

Office of Emergency Planning, Chairman

MAR 19 1962